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MAR 14 1952

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USSR State Budget - 1952

1. The principal report on the USSR State Budget for 1952 was presented to the Supreme Soviet on 6 March by Finance Minister A. S. Zverev.

2. *The proposed budget provides an income of 508.8 billion rubles and expenditures of 476.9 billion rubles leaving a projected surplus of 31.9 billion rubles. This represents 3.7% increase over the actual receipts in 1951 and expenditures 8.1% greater than for last year. The actual expenditure for 1951 was about 10 billion rubles less than the plan, and the income was about 10 billion rubles higher than plan.

3. The principal planned sources of revenue for 1952 are: 200 billion rubles turnover taxes, 61.8 billion rubles deductions from profits, 47.4 billion rubles income tax from population and 42.5 billion rubles State loan. The Union Budget revenue component of the USSR State Budget is 410.1 billion rubles and the state budgets of the Union Republics total 98.7 billion rubles accounting for the total proposed income of 508.8 billion rubles.

4. The planned expenditures for 1952 are 180.4 billion rubles for development of the national economy (about one billion more than actually spent in 1951) 124.8 billion rubles for "social and cultural purposes" (5.9 billion rubles more than actually spent in 1951) 113.8 billion rubles for the "defense of the country," i.e., military expenditures, (17.4 billion rubles more than last year) 14.4 billion rubles for "maintenance of the State administration organs" and 8.9 billion rubles for the payment of State loan profits "to the population." Of the total proposed expenditures this would leave an announced surplus of 31.9 billions (calculation from the published figures shows 34.0 billions). The total amount of the budget was much greater for planned income and expenditures than for any previous year.

5. In 1952 much more than one-half of the budget funds allocated to the financing of the national economy will be used for capital investment. Together with working capital this will amount to 143.1 billion rubles to be allocated, 132.4 billion rubles for capital investment and construction, and 10.7 billion rubles working capital. The total of 143.1 billion rubles of capital investment will be comprised of 98.1

* The final budget approved by the Supreme Council of the USSR with all amendments were: Revenue, 509.9 billion rubles; Expenditure, 476.9 billion rubles; and Surplus, 33.0 billion rubles.

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billion rubles from the budget and 45 billion rubles from the "industrial enterprises and economic organizations."

6. A summary of the highlights of the budget for 1951 and 1952 is shown below.

	<u>Billions of Rubles</u>		
	<u>1951</u>		<u>1952</u>
	<u>Plan</u>	<u>Actual</u>	
Revenues	458.0	468.0	508.8
Expenditures	451.5	441.3	476.9
Capital Expenditures or Investment (Includes Working Capital)	132.0	-	143.1
Defense (Military)	96.4	-	113.8
Surplus	6.5	26.7	31.9

7. The pattern of the budget, particularly with respect to surplus, follows that of previous years, e.g., for 1950 there was a revenue of 422.6 billion rubles against an expenditure of 413.3 billion rubles, and 1951 showed a revenue of 468 billion rubles against an expenditure of 441.3 billion rubles. The surplus for 1950 was thus 9.5 billion rubles and for 1951 it was 26.7 billion rubles. The expenditures for 1951 were 28 billion rubles (6.3%) above 1950. The planned expenditures for 1952 above the actual of 1951 are 35.6 billion rubles or about 8%. In both 1950 and 1951 the planned income was lower than the actual and the planned expenditure was higher, in the latter year amounting to 10 billion rubles in both cases. This type of planning which provides a surplus by under-estimating income and over-estimating expenditures may be intended to provide a hedge against inflation. It raises some questions, however, about the announced allocations, particularly with regard to hidden military expenditures. The latter question is also complicated by recent changes in the wholesale price structure which will be commented on below.

8. Increases in income from production in 1951 over that contemplated (mainly in heavy industry) were attributed to technical progress and better organization resulting in a claimed increase of productivity. The outstanding example for which claims are made in this respect by the Soviets

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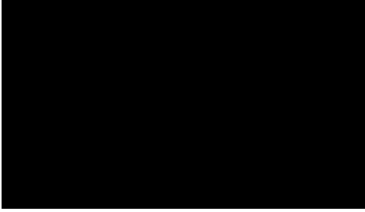
is that of the Magnitogorsk Stalin Combine which it is stated "made 27.6 billion rubles above plan" including "18.5 billion rubles by decreasing net costs of production." Other industries are also cited in connection with improved production. On the other side of the coin, the Soviets admit lags and poor management in the following industries: timber, construction, machine tool and production equipment, car and tractor, and others resulting in under fulfillment and deficits based on plan and/or increased net costs of production. Distribution, financial and accounting administration and budget implementation also came in for criticism.

9. With respect to the question of military expenditures, the Soviets harp continuously about their peaceful intentions. Their press notices and speeches, in connection with the present State Budget, point out that their military budget is only 23.9 percent of the total; 113.3 billion rubles out of a total of 508.8 billion. This is the highest postwar military budget and exceeds by 17.4 billion rubles last years direct military allocation. The percentage of the military allocation against the total budget for 1951 is 21.9%. The increase of military expenditure over 1951 is 18% which is in line with the industrial increase of 1951 over 1950 of about 16%. The Soviets claim that the "generic weight of defense appropriations for 1952 is considerably lower than in the prewar year 1940." Moreover, in contrast they state that "the United States is spending 65 times more than before the war on war purposes" and that "war appropriations take up over 80 percent of the US budget." Actually the Soviet military budget of 113.3 billion rubles is over twice the corresponding expenditure of 56.8 billion rubles in 1940. Based on the US budget of 85 billion dollars and the military allocation of 51.0 billion dollars the percentage of the latter is 60%. A proper comparison should include a consideration of inventory and all postwar military expenditures. The budget allocation of 113.3 billion rubles for the military may be only part of their expenditures in this respect since bank credits might be used in addition and payments made from the surplus. The same hidden accounting method may be used to pay for military items contracted for but not paid from budgetary funds.

10. Of special importance in connection with possible increased military expenditures over the budgetary allocation shown by the Soviets in hidden expenditures by the dodge of reduced wholesale prices. This has been referred to in very recent press announcements based on an article in the Journal of Planned Economy (Moscow) that the January 1, 1952 "slash" of wholesale prices would be used in assigning production requirements to Soviet factories and mines from now until the end of 1955. The cuts in wholesale prices on such items as gasoline, coal, heavy industrial products, metals, fuels, machinery, electric power, chemicals, construction

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materials, and capital items generally were indicated to be as high as 30 to 35%. If this were applied directly to military production it could in effect increase the output of military items by approximately 15%, if the required additional labor and equipment or means of production were provided. This estimate is based on the assumption that labor and material costs would be equally divided, and the additional assumption of the diversion of materials from the civilian economy. The budget allocation for capital expenditures, the total of which is 143.1 billion rubles would also be affected by the reduction in wholesale prices making allowances for labor and working capital.



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